



## THE FALL IN PRICES.

How the Demonetization of silver Affected the Producer.

Some Stubborn Facts About the Relations of Prices of Commodities to Silver

It will be easy to see why the demonetization of silver would naturally cause a fall of prices. It operated as a limitation of the money supply. Prior to that time both silver and gold had been freely coined in Europe and America. Suddenly the mints were closed to silver and nothing but gold was coined. So much gold was being used in the arts that certainly not more than one-half, and probably not more than one-third of the annual product of the mines was left for monetary use.

Thus the supply of money was limited, while the supply of other things continued to increase.

Therefore the only exclusively gold standard countries had been Great Britain and Portugal, with about 50,000,000 of people. When the mints of Germany, the United States, and the Latin Union were closed to silver, nearly 200,000,000 more people began to put forth a demand exclusively for gold that had previously been divided between gold and silver.

The result was a sharp rise in the value of gold. That is, its purchasing power increased. It took more of other things to buy a given amount of gold. In short, prices fell.

This fall of prices affected the producers, and also the debtors of America most keenly. The attention of the people was directed to the fact that silver had been demonetized, and an agitation began for its restoration.

As a result, the Bland bill, providing for the free coinage of silver, passed the house of representatives. In the senate Mr. Allison offered an amendment, striking out the free coinage clause and providing that the government should buy and coin, not less than two million dollars' worth of silver bullion each month, and that the dollars thus coined should be full legal tender, "except where otherwise expressly stipulated in the contract."

In this form, the bill passed, was ve-

toed by the president, but passed again over his veto.

The execution of this law was entrusted to an unfriendly administration. It was treated as an unwise and dangerous measure. Instead of coining the maximum of \$4,000,000 worth per month, or even \$3,000,000, which would have been the average of the extremes, only the smaller amount mentioned by the law was ever purchased and coined.

Senator Sherman, then secretary of the treasury, expressed the opinion that no more than 50,000,000 of silver dollars could safely be coined. The New York bankers combined against it, and the silver dollar was excluded from the clearing house. It was characterized as a "dishonest," degraded, "debased" dollar, and it was discredited in every possible way.

Then, as now, the money power, and its subservient allies, denounced the friends of silver restoration as "cranks," "lunatics," "knaves," "seeking to swindle honest men with cheap money." The idea that money can be made too "dear" never enters the head of a "sound money" champion.

But in spite of all opposition the coinage went on and the effect was beneficial.

The years 1880, '81 and '82 saw a substantial reaction in business, with a slight upward movement of prices.

But the measure was not big enough to permanently relieve the situation. The purchases of silver being limited, a surplus was left upon the market, and the price of silver bullion continued to fall.

The Bland-Allison act failed to restore silver as a standard money metal. That is, the value of the bullion remained below the value of the coin. As a result, the coin was not available for export, except as bullion at a loss, and being generally rejected by the banks as a part of their specie reserve, it operated just the same as an addition of so much paper money to the currency.

About the year 1882, the national banks began to contract their circulation, which neutralized the effect of the Bland law. Prices began to drop again and an unfavorable reaction once more set in. Depression became so general, both in Europe and America. By 1886 it became so acute as to arouse the con-

cern of the British government.

In the first named year a commission was appointed to investigate the business depression alleged to exist throughout the United Kingdom. The commission did its work with the greatest care and reported that depression was almost universal throughout Europe and America, and extraordinary in degree.

It fixed the beginning of the trouble at about the year 1873, the date of silver demonetization. It did not investigate the silver question itself, but advised the appointment of another commission for that express purpose.

Accordingly in 1887, the Royal Gold and Silver Commission was created for the purpose of investigating the causes which had led to the divergence in value of gold and silver. This commission also found wide-spread business stagnation beginning about the year 1873, and that prices had fallen upon average 30 per cent.

Mr. Sauerbeck stated in his testimony that in the United States wholesale prices had fallen 29 per cent.

It reported that the main cause for the separation of the two metals was the demonetization of silver in that year.

But the commission consisting of half gold men and half silver men made no definite recommendations.

Constituted as the Royal Gold and Silver Commission was, no valuable recommendations of policy were to be expected. But the testimony and reports are nevertheless a perfect mine of valuable information.

They conclusively prove that upon an average 30 per cent, and that silver measured in gold had declined at a rate almost equal.

Thus it appeared that the exchange value of silver had remained almost constant, for if commodities had fallen 30 per cent. (from the gold base) and silver had done the same, it follows as a mathematical conclusion, that silver and commodities had changed in their relations of each other. That is to say, an ounce of silver would exchange for the same quantity of goods as formerly.

From this it necessarily follows that in silver standard countries prices had not fallen. The purchasing power of silver was unaffected in those countries, but gold was at a high premium.

Another fact of very great importance